

**VIRGINIA MILITARY INSTITUTE
LEXINGTON, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2001**



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INSTITUTE OFFICIALS

January 14, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Major General Josiah Bunting, III
Superintendent, Virginia Military Institute

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF
AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Military Institute** as of and for the year ended June 30, 2001, and have issued our unqualified report thereon dated January 14, 2002. At the request of the Superintendent of the Institute, we have performed certain agreed-upon procedures to the Institute's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2001, discussed below, solely to assist the Institute in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The Institute is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Institute. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2001, as prepared by the Institute and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the Institute for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Military Institute Keydet Club and the Virginia Military Institute Development Board, affiliated organizations, we noted no individual contribution, which constituted more than ten percent of total contributions received for Intercollegiate Athletics.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of Virginia Military Institute in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the Superintendent of the Institute. This report relates only to the accounts and items specified above and does not extend to the financial statements of the Institute or its intercollegiate athletics department taken as a whole.

Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Military Institute is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the Institute’s financial statements. Our review also

included those controls unique to Intercollegiate Athletics, which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the Institute's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the Institute's internal control were more limited than would be necessary to express an opinion on internal control of the Institute in effect for the year ended June 30, 2001, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the Institute.

This report is intended solely for the information and use of the Institute and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JEG:whb
whb:40

SCHEDULE

VIRGINIA MILITARY INSTITUTE

SCHEDULE OF REVENUES AND EXPENDITURES OF INTERCOLLEGIATE ATHLETIC PROGRAMS

For the Year Ended June 30, 2001

	Football	Basketball	Other Sports
Operating revenues:			
Ticket sales	\$ 149,724	23,937	-
Guarantees	15,000	100,000	-
Student activity fees	-	-	-
Concessions	-	-	-
Program sales	25,101	2,110	-
Gifts: (Note 2)			
Unrestricted	21,393	16,563	50,253
Restricted	-	58,781	268,664
Endowment fund transfers in (Note 2)	-	-	-
Bowl/conference proceeds	-	-	-
License fees	-	-	-
Other	930	374	2,700
Total operating revenues	212,148	201,765	321,617
Operating expenditures:			
Coaches' salaries and other salaries	543,239	359,852	569,795
Supplies	5,297	6,600	31,878
Equipment purchases	55,800	43,840	57,784
Travel:			
Team	65,482	59,531	129,608
Recruiting	28,169	25,323	34,659
Other	8,181	10,887	60,173
Postal service	1,078	852	358
Publicity	1,700	-	-
Programs	3,364	1,382	1,601
Telephone	14,924	1,190	8,144
Medical services	-	-	-
Maintenance and general administration	56,320	10,955	77,031
Films	-	-	-
Scholarships	-	12,990	8,832
Officials	17,581	25,207	14,635
Guarantees	-	8,000	-
Insurance	-	-	-
Allocated administrative costs (Note 3)	-	-	-
Miscellaneous	23,693	31,120	44,071
Total operating expenditures	824,828	597,729	1,038,569
Net increase (decrease) for the year	\$ (612,680)	\$ (395,964)	\$ (716,952)

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

Nonprogram	
Specific	Total
-	173,661
-	115,000
1,447,223	1,447,223
164,200	164,200
64,186	91,397
1,193,235	1,281,444
1,690,290	2,017,735
268,800	268,800
68,328	68,328
15,462	15,462
1,777	5,781
4,913,501	5,649,031

649,681	2,122,567
36,316	80,091
33,457	190,881
4,436	259,057
-	88,151
16,681	95,922
-	2,288
8,872	10,572
22,782	29,129
16,722	40,980
14,317	14,317
102,053	246,359
8,825	8,825
1,492,347	1,514,169
-	57,423
-	8,000
23,262	23,262
321,778	321,778
32,237	131,121
2,783,766	5,244,892

\$ 2,129,735 \$ 404,139

VIRGINIA MILITARY INSTITUTE

NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES OF

INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2001

1. BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of intercollegiate athletic programs has been prepared on the accrual basis of accounting. The purpose of this schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the Institute for the year ended June 30, 2001. This schedule includes a selected portion of the Institute, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers and other deductions for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-program Specific."

2. AFFILIATED ORGANIZATIONS

The Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Club gave the Institute \$1,483,548 for intercollegiate athletic programs during the fiscal year ended June 30, 2001.

The Virginia Military Institute Development Board was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to the Institute from cash donations and income from its endowment. On July 1, 1998, the Board entered into a funding agreement with the VMI Foundation, Inc., the VMI Keydet Club, Inc. and the Institute applicable for the four fiscal years beginning July 1, 1998. This agreement calls for the Board to provide funding in excess of that, which would be generated by adherence to its existing endowment spending policies. In connection therewith, the Board agreed to provide an average of at least \$1,000,000 per year from its unrestricted endowment to be used exclusively by the Institute's athletic program; the Institute may determine the actual amount it receives from the Board each year based on the needs of its athletic program. However, in no event shall the total payments from the Board during the four years be less than \$4,000,000 plus the payment of certain existing debt service obligations of the Board on behalf of the Institute. For the fiscal year ended June 30, 2001, the Institute received \$1,142,259 from the Board's unrestricted endowment, which is shown on the Schedule as Unrestricted gifts. The intercollegiate athletic program also received \$268,800 from other Institute endowment funds.

3. ADMINISTRATIVE COST RECOVERIES

The Institute recovers from each auxiliary enterprise an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. These costs are charged to a non-program specific category and are not allocated among the different athletic programs.

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia

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